REVIEWS

RECENT BOOKS ON THE PRINCIPLES OF ECONOMICS

It would be hard to find five general works on economics that vary more in method, viewpoint, and purpose than the five books with which this review is concerned. Those by Blanchard, Meade, and Johnson are designed as text-books. The first is a cyclopedic, systematic, amply illustrated exposition of general principles for the use of first-year students in French schools of law. The second is a concrete, untechnical, descriptive work, referring only incidentally to underlying principles, and intended primarily, like its companion volumes in the Modern Business series, for the use of mature business or professional men who cannot enjoy the facilities of schools of commerce. The third is a brief, closely reasoned outline of theory, with incidental illustrative matter, designed mainly to meet the requirements of American college students. No one of these three develops new views or handles old doctrines in ways particularly new. On the other hand, the chief significance of the two English contributions — by Wicksteed and by Hobson — is doctrinal. The views they develop are distinctive, and present a fresh alignment of theories underlying social policy. This quality fortunately does not detract from the serviceability of either book for class-room purposes. On the contrary, with mature students it would not be easy to find material more stimulating to discussion than long assignments in Wicksteed's detailed analysis of economic processes,

or shorter ones in Hobson's more condensed but more varied treatise.

Blanchard's 700-page book, *Cours d' Economie Politique*, is a first volume; the second will meet the needs of second-year students in French law schools. In his view, logical requirements point to the conventional fourfold treatment of political economy, in this order, — production, exchange, distribution, and consumption. For pedagogical reasons he departs from this order, and covers in the present volume production, consumption, and the greater part of distribution. The treatment of value, exchange, and certain remaining phases of distribution is left for the second volume. The latter portions are to his view the more difficult aspects of economic study, and may therefore appropriately be left for second-year students. Regard for the pedagogics of the situation is, however, not a distinctive mark of the book. It is formal and systematic in its method of treatment. Definition, lengthy classification, and orderly, if superficial, analysis follow one another in a manner often more pedantic than vital. The fundamentals of varying concepts are given less attention than their bearings on social policy; but the eclecticism that this statement indicates is secondary and historical, rather than primary and contemporary. The views of Adam Smith, " Stuart Mill " and Senior, of Bastiat and Say, and of Marx, furnish much of the material for discussion. These are presented, as well as contrasted and correlated with other views and with contemporaneous data, largely through the medium supplied by the treatises of Beauregard, Cauwès, Leroy-Beaulieu, Colson, and Gide. There is no reference to the development of thought in other countries during recent decades, except as that has filtered through the writings of the French authors named. Indeed, to do this was no part of the author's purpose; but the pretentious size and scope of his treatise naturally direct attention to the omission.

The treatment of production is conventional in outline and matter. The classical, threefold division of productive

factors is adopted. The nature factor is comprehensively described, climatic and physiographic elements receiving a due share of emphasis. In the analysis of the labor factor, the old distinction between productive and unproductive labor is refined into one between directly and indirectly productive labor; but there is no trace of Austrian influence in the change. The contribution of capital is considered in its rôle as a derived agent devoted to future production. The strength of the modern stimulus to the related processes of saving and investment is perhaps over-emphasized in this connection. The treatment of the elements of production is followed by an independent exposition of the social factors influencing production. In this, most emphasis is placed on tendencies relating to the scale of production and to growth of population. His conclusions are that in agriculture the trend is obviously toward production on a small scale, but that in other fields varying scales of organization will parallel one another, varying needs being met in different ways. The discussion of the trust movement in the United States is naïvely simple. Mr. Havemeyer's well-known dictum is accepted as conclusive evidence of the view that our trusts are largely tariff-made in their origin. There is an intelligent discussion — based on Colson — of the regulative influence of cartels in time of industrial and financial crisis. A large measure of anxiety over the diminishing French birth-rate appears in the lengthy discussion of the population question. Little hope is found in legislative measures encouraging marriage and parenthood. The tendency toward decrease is regarded as a necessary outcome of the economic and social changes of the century. These will progressively affect other nations until conditions are equalized. It is pointed out that the situation in this respect among the older-established American families is even more pronounced than in France. The conception of diminishing returns is the old Malthusian one that contrasts diminishing productivity with increasing population. But a tendency toward deficit is shown to

be nonexistent. "The future of the human race appears to be in no way menaced by it." The author likewise contrasts increasing with diminishing returns in a way that again combines historical with technological considerations. The treatment of consumption, largely a discussion of individual and national traits in the matter of expenditure, is for the most part trite and preachy. "Economy in expenditure is excellent in itself, but it ought to be reasonable, *i. e.* exercised with moderation." The definition of luxury stands out in agreeable contrast with this: "Luxury is the consuming of a relatively large amount of goods or services for the satisfying of a relatively superfluous need." The treatment of distribution brings out no clean-cut, fundamental conceptions. Juridical considerations are developed at length. The economic theories of earlier writers are outlined, as well as ideals and programs of reform in distributive methods. Much more attention is devoted to a description of conditions surrounding the distributive process than to the process itself. Most space is given to labor questions. On the whole, Blanchard's general attitude on social policy is a feebly qualified individualism.

Meade's *Economics of Business* is the introductory volume of the Modern Business series of text-books. It gives a distinctly practical exposition, emphasizing the actualities of business experience by extended and typical illustrations rather than through generalization. "The book presupposes no previous knowledge of economics other than that possessed by any intelligent person who reads the daily newspapers and keeps his eyes open." Tho the preface disclaims a formal arrangement of the volume into divisions and subdivisions, the arrangement of the material is along familiar lines. There is no treatment of consumption; but production, exchange, and distribution are discussed under quite the usual categories. Whether practical problems of present moment should be treated in chapters immediately preceding or following those dealing with questions of general inter-

pretation, or in Part III on "Economic Problems," seems to have been largely a matter of whim with the author. For instance, chapters on "The Training of Workers" and on "Woman and Child Labor" follow the chapter on "Labor" as a factor in production. A chapter on "Location of Industries" properly precedes one on "Large Scale Production" in the treatment of business organization in Part I; while the chapters dealing with monopoly and the trust movement are relegated to Part III. It is this sort of arrangement, probably as helpful as it is planless, that the author doubtless has in mind in the prefatory remark above referred to.

The great strength of the book is its direct touch with things that are and forces that move in the business world. Tho there is throughout a tinge of the academic, it is only enough to anchor practical discussions to essentials of viewpoint. The nature factor in production is emphasized on the side of its latent powers. Not diminishing capabilities of the soil, but the unexploited "vast reservoir of power" about us is the thing emphasized. Labor, again, is a factor the immediate functioning of which in the productive process is not the most significant point, but its increasingly efficient functioning through the elimination of child labor, the training of workers, and the improving of their environment. This shifting of emphasis from static to dynamic aspects is not so prominent in the chapter on capital; but it again appears in the treatment of business organization, a field in which improvements of method are matters of intimate familiarity to the author.

Part II, dealing with exchange, is devoted mainly to money and credit. One chapter is given to "Prices." The discussion bears not so much on the relation between money and prices as on the relation of value to price and on the factors influencing supply and demand; and there seems to be no logic in consigning matters so fundamental to such an inconspicuous and subordinate place. As regards the viewpoint of this analysis, it is conceded that "altho market prices may change and fluctuate in the

manner just described, they are, however, in the last analysis, determined by the comparative utility of commodities and money to their consumers." It is to be regretted that the recognition of this fact is so long delayed and is driven home in two paragraphs of such comparative brevity. On turning to Part III, on distribution, one's attention is at once arrested by a description of forms of business organization ("Forms of Ownership"), used as an introduction to the subsequent exposition of surface aspects of distribution. Whatever the reason for this departing from the more conventional order of treating this topic (under production), there are conceivable advantages in the change. In the first place, by this means there may be avoided the confusion that often arises from the closely connected treatments of the advantages and disadvantages of varying sizes of the business unit and those of the various forms of business organization. In the second place, such an introduction to distribution might well contribute to clearness by necessitating sharp distinctions between different classes of workers, and an equally nice differentiation between shares of income that are sometimes treated as wages of management, sometimes as profits. In the present instance, the former distinction does result; the latter does not. Under causes affecting the rate of wages, joint reference is made to the $50,000 salary of the railroad president and to the work he performs. The salary is direct compensation for the work "which may mean profits of many millions of dollars to the company which he serves." Later, in the discussion of profits, we find that "in the great majority of cases, the large profits of industry have been the result of superior ability. We have seen that most business men do not make profits; a few men do make them. The primary reason for this distinction is that the few are more liberally endowed with brains than the many." How shall we know who are the few who do reap profits? To what extent do dividends to shareholders encroach on the ability wage of the railroad president? Or is it merely that a certain proportion

of the dividend serves as tangible evidence of the magnanimity of the president? But it is no part of Meade's intention to draw fundamental distinctions. His treatment of distribution is from the standpoint of the business organizer who makes outlays. These are roughly classified and simply explained in the familiar business terms. Rent, wages, interest, profits, and taxes are from this angle objective payments, the various forms of which need to be described rather than subjected to the more analytical tests of identification and explanation.

Strangely enough, the place in Meade's book in which to look for his underlying views on distribution is not in the chapters expressly devoted to that subject, but in the concluding part; which might to advantage have been entitled, not "Economic Problems," but "Public Aspects of Economic Problems." This applies particularly to the chapter on the "Problem of Monopoly." The view is there advanced that monopoly is a perfectly natural phenomenon; it is not "like some foreign substance which may get into the industrial mechanism and prevent its perfect running. . . . Economists who hold this view of monopoly believe that there are certain fundamental laws in economics which are as universal and permanent as the law of gravitation itself. . . . Those who oppose this general view of monopoly contend that there is nothing inherently wrong in the principle of monopoly, that it is a general phenomenon of all economic activities, and that practically everybody, laborer, professional man, capitalist, and landlord, is a monopolist. . . . Tho the extreme concentration of monopoly power in the hands of some may give rise to serious problems, the monopoly principle, nevertheless, pervades the whole business world, and is not to be condemned on all hands because it may sometimes give rise to evil results." Monopoly is an accompaniment of progress. The monopoly fund is identical with the social surplus that has resulted from the rapid growth of productive power during the century. "This means that every one who is getting some of the product of this social surplus

is in reality getting something for which he has not rendered an equivalent service. The social surplus affords thus a kind of monopoly fund on which all the present factors of production are constantly drawing. . . . There are few classes of society, nay rather, few individuals in any class, who have not been able to get and to keep some portion of the social surplus." Conviction of the truth of the last statement should have restrained the author from the futile suggestion that a widening ownership of corporation securities will afford a significant safeguard for the masses against monopoly extortion. In many parts, the book shows unmistakeable ear-marks of hasty and off-hand preparation. Yet despite these evidences of hurried work, it is well adapted to the purpose for which it was written.

Johnson's *Introduction to Economics* is a revision of his earlier *Introductory Economics*. The chapter arrangement and titles are substantially the same, and the order of treatment and phraseology within chapters has not been vitally changed. Some paragraphs that appeared in the older work have been dropped and new ones have been inserted; a summary statement appears in italics at the head of each paragraph; and many new illustrations have been introduced. In view of this similarity between new and old, it is almost needless to say that the present work has all of the marks of clear, definite, and logical exposition that characterized its predecessor. In scope and method it stands in sharpest contrast with Meade's book. Theoretical aspects are constantly emphasized; the teacher is relied on to supply the concrete material best adapted for illustration. "An efficient teacher can base a highly practical course upon a text-book which is fundamentally theoretical." Beginning with a discussion of value, needed prominence is given to the fundamental nature of the laws of price; but the distribution of emphasis between demand and supply elements is so even that the "costs" basis of price stands in a logical position in no wise secondary to the "consumers' estimate basis." This procedure

makes it easy to swing to the frankly implied "costs" attitude that underlies the whole marginal productivity program of economic reform. In this analysis it comes out very clearly that the relation between the Austrian viewpoint and the marginal productivity treatment is in no respect vital. Indeed, essentially they are inconsistent. Only as regards the superficial aspects of methodology is there any resemblance. Both deal with margins; but the one treats subjective, the other objective, considerations. In the one case, subjective value is the primary influence in distribution; in the other, objective product. With the one, marginal utility should be merely a resultant and index; with the other, it is a determinant and measure of results. Johnson's discussion serves to bring out clearly these differences. Margins, and usually marginal costs, are regularly accorded a determinative influence. It is true that when the emphasis is shifted to costs, reference is frequently made to the secondary nature of those items; but these are after-concessions, soon forgotten when the emphasis turns once more to aspects of productivity revealed through hypothetically successive outlays and marginal costs. This tendency reaches its final conclusion in the proposition that free enterprise approaches justice only when competition rules, that monopoly is unnatural or abnormal because it interferes with cost prices, and that social intervention must guarantee competition or assume such price-fixing functions as will restore a "normal" or cost-price situation. A genuine shifting of emphasis from supply to demand factors, as primary in price determination, should lead to the view that monopoly is as normal a phenomenon as competition, that it is not confined to the organizing factor in production, and that its influence must therefore regularly be reckoned with in determining the share of any factor in the productive process. Johnson's book, throughout, affords an unusually able and clear presentation of the normal or static view of things.

Wicksteed's *The Common Sense of Political Economy* is in three parts. Books II and III, containing 300 of the 700 pages, are largely of an excursive and illustrative nature. They will have main interest to those of a mathematical turn of mind. Book III, however, lays considerable stress on the social implications of theories developed earlier in the volume. Book I, the constructive portion of the work, is of main interest. Goethe's "Ein jeder lebt's, nicht vielen ist's bekannt" truly affords the motive and key to the treatise. The author assumes no previous acquaintance with works on political economy; and he relies, as he says, on "no hypotheses except such as the common experience of life suggests and explains." But this does not make the reading of the book an easy task for any but a mature and very thoughtful reader. For there is an obvious tendency not to neglect anything that has even a remotely fundamental bearing on matters of interpretation; and the whole treatment reveals the craftsmanship of a highly philosophical mind. Let me illustrate by his analysis of what is often termed "the economic motive." To Wicksteed the connotation of this phrase is a false one. Truth demands the use of colorless terms, such as "economic relation" or "economic force"; motive in any strictly personal sense, to his view, is conspicuous by its absence. The relation is not an egoistic nor an altruistic one, but one of "non-tuism." Economic life is entirely unmoral, or morally indifferent. "The economic organization of society in itself does not in any way discriminate between worthy and unworthy ends." "The catholicity of the economic relation extends far enough in either direction to embrace both heaven and hell." "It would be absurd to call a man selfish for protecting his king in a game of chess." "Only an expert can distinguish between the harbor light supported by a small toll on the cargoes it guides to safety, and the light displayed by the wrecker who hopes to pick stray salvage from the wealth he has taught the sea to swallow." This outlook on the economic life is well summarized in four propositions that show the fundamentals both of viewpoint and of method:

(*a*) "That the economic relation is entered into at the prompting of the whole range of human purposes and impulses, and rests in no conclusive or specific way on an egoistic or self-regarding basis.

(*b*) "That the economic forces and relations have no inherent tendency to redress social wrongs or ally themselves with any ideal system of distributive justice.

(*c*) "That the hypothesis that the economic relations can be isolated, even if taken only as a first approximation, is too remote from the fact to be admissible, and would be useless and superfluous in any case; and that the economic relation, as well as being naturally allied to other relations in every degree of closeness, has itself a tendency to beget these other relations.

(*d*) "That it is nevertheless both legitimate and desirable to make an isolated study of the economic relation and the economic forces, tho not on the hypothesis that they actually exist or act in isolation." (pp. 169–170.)

The phenomena of the market are shown to be the central and unifying ones in economic life. But these cannot be truly interpreted without a preliminary study of the broader principles underlying the personal administration of resources and of choice between alternatives. The book therefore begins with a detailed exposition of the Austrian analysis (its paternity is patriotically ascribed to Jevons), illustrated by reference to the whole range of rational and irrational, impulsive and deliberate, conscious and "even unconscious" choices.[1] In the endeavor to make this

[1] The following are typical illustrations of the breadth of application (pp. 79–80). "Caesar tells how when surprised by the Nervii he had barely time to harangue his soldiers, obviously implying that the harangue was shorter than usual. He felt that a few moments, even at such a crisis, were well devoted to words of exhortation to his troops; but their value declined at the margin, and the price in delaying the onslaught rapidly rose; so the moment was soon reached when the time could be better spent than in prolonging a moving discourse. In a story of South America, (*sic*) after the war, we are told of a planter who, when warned by his wife in the middle of his prayers that the enemy was at the gate, concluded his devotions with a few brief and earnest petitions, and then set about defending himself. Had he been a formalist those final petitions would never have been uttered at all; but under the circumstances the impulse to prayer, tho sincere and urgent, became rapidly less imperative and exacting relatively to the urgency of taking steps for defense, as the successive moments passed. . . . An entirely devout and sincere person may find himself in the dilemma of having either to curtail (or omit) family prayers or to hurry a guest over his breakfast and perhaps run him uncomfortably close for his train."

subjective analysis true to life, Wicksteed goes into details that most of us would willingly take for granted. But it is easy to forgive this sin when following the beautifully consistent and significant constructive treatment, based on this early detailed analysis. Ordinarily there is much confusion in the effort to bridge the gap between the discussion of the canons of individual choice and that of market price. Wicksteed's analysis is unusual in the directness with which it demonstrates the primary dependence of market phenomena on personal choices between alternatives. He carefully discriminates between the individual scale of choice and the communal one. The former contains only elements of the latter that are relevant, *i.e.* such as concern items that appeal to particular personal tastes; and the latter contains elements of the former only as respects items that enter into the circle of exchange. The dependence of the collective scale on the personal scale once demonstrated, he never forgets this key to an interpretation of the whole of our economic life. The buyer may believe that the seller fixes the price. The seller may often think so too. But Wicksteed holds to the simple truth that "It is the collective mind of the purchasers, then, as estimated by the sellers, that determines the price proclaimed by the latter. The sellers read the collective scale, to the best of their ability, and announce their reading to the individual purchaser." What a thing has cost cannot determine its value; but what a thing will cost may determine whether or not it will be made. This view, accepted with all that it logically implies, leads to consistent reasoning. The theory of monopoly price rests on precisely the same broad principles as those on which the theory of the competitive market is based; and distribution becomes simply a price phenomenon. Interest payment is a phenomenon of the market in advances. Payments for the use of land (rent) and for the use of other durable goods (hire) have elements in common with interest. In each case the payment, in its primary elements, constitutes a premium on advances connected with the anticipation

of future resources. "The comparative breadth of the stream which is turned to long-service expenditure and to indirectly productive effort, will depend partly on the nature of the tastes, desires, and impulses of the community, partly on the amplitude of its resources, partly on their distribution, partly on the vividness with which the wants and pleasures of the future are realized, and partly on the sound judgment and integrity of all its members, more especially of those who are most active in directing its industrial affairs."

Earnings, as a distributive share, obey the same principle as do interest payments, subject to an important qualification. Size of population, and consequently of labor supply, is determined largely by non-economic considerations. Prudence or recklessness, abundance or scarcity, custom and tradition, impulse "ranging over the whole scale of the material and spiritual nature," conviction, deliberate resolve, and calculation, all influence to greater or smaller degree the supply of human effort. But at any given time, supply being what it is, market considerations govern the return. The better society is supplied with the thing a worker makes, the lower will be its place on the collective scale. Marginal worth is an index of the remuneration to every kind of human effort, precisely as it is of the prices paid for commodities. Despite a tendency to exaggerate the degree of identity between actual earnings and the worth of services rendered, particularly of the "less-favored," "unprivileged" members of society, one must acquiesce in the view that the main hope for the future lies in agencies and influences that will promote the occupational and locational mobility of workers. To breed, rear, educate, and train them "so that they shall possess the vigor, the habits, and the particular skill which are likely to make them worth most," and "to shift them to places and conditions in which they may be worth more than where they are" are important expedients. Wicksteed with cosmopolitan outlook condemns the working class gospel of "less work but more of it"; this gospel

is as privately true as it is publicly false. "When we shall understand that local distress is incidental to general progress, we shall not indeed try to stay general progress in order to escape the local distress, but we shall try to mitigate the local distress by diverting to its relief some portion of the general access of wealth to which it is incidental." The question must indeed be faced, may not "local distress" often be due to overtaxed individual powers, and to a sweated wage that more largely reflects local exploitation than the worth of workers' services? Subject to such qualifications, it is easy to endorse the advocacy of social improvement through "a system of true education, at once industrial and human, that shall be a great instrument for training, sorting, and directing the faculties, developing the character of the community so as to make every talent available for the highest and most urgently needed function which it is capable of performing."

In reviewing so consistent a work as that of Wicksteed's one hestitates to refer to seeming minor inconsistencies of analysis, or to pass judgment on the larger question of the completeness of the author's theoretical structure. Yet criticism must be made of a tendency to apply the idea of diminishing marginal significance in such way as to identify diminishing utility with diminishing returns. In the one case the decline is in terms of feeling, is subjective; in the other it is in terms of goods, is objective. It is worth while to preserve and emphasize this distinction. The failure to do so in the present book has helped to bring the interpretation of "earnings" perilously near a productivity, as distinguished from a price explanation. The larger question, of the completeness of Wicksteed's theoretical structure, is brought out the more sharply by the very unity of his treatment, and I do no more than raise it because I am unable to give a satisfactory answer. Are there not fundamental questions of economic theory that might well be viewed independently of the problem of value? In other words, are there not relations between

goods and men, vitally affecting general prosperity and individual welfare, that might be approached better in other ways than through the channel of the estimates of importance which men attach to goods ?

It seems to me that Hobson had some such feeling when he wrote the *Industrial System: An Inquiry into Earned and Unearned Income.* Unfortunately, he sways at times from explicit repudiation to tacit acceptance of certain aspects of widely accepted views. This results in fallacies that weaken his general argument. But fortunately they detract more from the consistency of his reasoning than they do from the exceeding suggestiveness of his analysis and the equally large significance of the resulting program. He begins his argument with a description of the industrial structure and the productive process, tracing the relations of trade to trade throughout the successive operations that gradually transform raw materials into final product. The payments made to the various factors in the process are pictured as incomes that evoke fresh applications of productive power in full degree and in appropriate forms. At this point begins the breach with assumptions underlying "authoritative" views. Hobson repudiates the assumption that competition does or can apportion the product of industry among the various producers according to the respective importance of the services they render; and this, whether or no the rent of land be treated as an exception, or allowances be made for "frictional" interference with the workings of competition. This so-called friction is quite as natural as competition. He likewise denies the possibility of a separatist analysis such as imputes specific units of product to specific units of any productive factor, marginal or otherwise. Production is a process characterized by organic coöperation, not by the mechanical union of separate elements any one of which can afford a key to the contribution of any other. Indeed, so far as the determinant influence of any marginal unit is concerned, quite the opposite is the case: "the complex of forces which, through supply and demand determine the

price per unit of each factor, determines the margin." Hobson's own theory of distribution is based on a fundamental distinction between costs and surplus. Costs, to him, are the payments necessary to evoke and maintain the use of existing productive powers in their present force or volume. Such necessary or minimum payments to landowner, capitalist, or laborer represent a natural and permanent economic harmony. This part of distribution admits of no permanent disturbance or evasion. But industry creates a product beyond these maintenance costs, and the surplus is not distributed in accordance with any tendency that inheres in the conditions of increase of supply for the productive factors. It is taken by the owners or embodiments of such factors according to their economic "pull" or monopoly power. The factor relatively scarce at any time or in any situation, whether capital, land, ability, or manual labor, is in a position of advantage. This it uses to absorb surplus as the price of its coöperation in the productive process. But the surplus must be further differentiated in accordance with the effects of its use in the evoking of productive power. That portion of surplus is "productive" which evokes or feeds a new or added supply of productive energy; that portion is "unproductive" which exercises no such influence. Surplus diverted, in this latter sense, from its proper work of furnishing growing power is "unearned income." In this view, the categories of rent, wages, interest, and profits are not significant in any primary sense. The elements of prime importance are threefold: —

Unproductive Surplus (unearned increment)	C
Productive Surplus (costs of growth)	B
Maintenance (costs of subsistence)	A

"*A*. Maintenance includes (1) minimum wages for various sorts of labor and ability necessary to support and evoke their continuous output at the present standard of efficiency; (2) depreciation or wear and tear for plant

and other fixed capital; (3) minimum interest necessary to support the 'saving' involved in the production and maintenance of the existing fabric of capital; (4) a 'wear and tear' provision for land.

"*B*. The productive surplus includes (1) minimum wage of progressive efficiency in quantity and quality of labor and ability of various grades; (2) such rise of interest above the subsistence rate as is required to evoke and maintain the increase of saving required for industrial progress.

"*C*. The unproductive surplus consists of (1) the economic rent of land and other natural resources; (2) all interest beyond the rate involved in *A* and *B;* (3) all profit, salaries, or other payments for ability or labor in excess of what is economically necessary to evoke the sufficient use of such factor of production." (p. 80.)

Improving industrial methods tend constantly to swell the surplus. Some portion gradually contributes to industrial growth by raising the payment to labor and capital above the bare subsistence point. But much does not so find progressive uses. Segments pass, according to a law of superior force, to landowners, capitalists, laborers, entrepreneurs, or combinations of these, in ways that involve conflict and to uses that are essentially unprogressive. The great problem of our industrial civilization is in consequence that of devising measures "to secure that the whole of the industrial surplus shall be economically applied to the purposes of industrial and social progress, instead of passing in the shape of unearned income to the owners of the factors of production, whose activities are depressed, not stimulated, by such payments."

Such, in outline, is Hobson's theory of distribution. There are, indeed, some minor inconsistencies. First, his notion that margins are determined rather than determining in their influence. If this be true, why say: "Just as every unit of labor-power receives a price measured by the expense of evoking the most expensive part of the supply, tho some output of labor-power may be pleasurable to the worker, so all the saving receives the price which

must be paid to the most expensive savers, those who would not save at all unless they were paid, say, three per cent ?" Later he qualifies this view in dealing with the price of competitive products: "The expense of producing not the 'last' but a unit of the product by a normal type of efficient business may be said to be the direct determinant of the normal supply price." We may agree with the contention that margins have no causative force. But are costs any more primary in their influence than are margins ? Consistency requires that all payments made for goods or for services, direct or indirect, be regarded as primarily demand-made, — as reflections of the collective scale that Wicksteed so clearly pictures. Value and price are social facts, not matters determined by the expense of producing any unit of supply, mean or marginal. And both mean and marginal apparently figure with Hobson, despite the fact that neither interpretation need form a link in his main chain of thought. Indeed, in another place (p. 99) he gives expression to the truth just stated. And his method of measuring payments for the use of productive instrumentalities (human or non-human), in terms of a price per standard unit of productive power, leans in this direction. Again, we have in this volume a restatement of his well-known opinions on the fallacy of saving. The error here seems to arise out of a "money stimulus" interpretation of the varieties of demand. Saving is "a refusal to apply it (money) at the retail stage in the 'demand' for commodities. The 'saving' persons who reduce the 'demand' for commodities apply the same quantity of 'demand' at various interim points in the industrial process." This is said to result in glut or under-consumption, with consequent industrial crisis and unemployment. The contrast appears to be an unreal one. Does increased investment really mean less spending for commodities ? Is it not due to a forecast of increased spending possibilities ? And are these not realized unless the intermediate spending on producer's goods is badly apportioned ? The problem at bottom is one involving a nice quantitative relation, not between money and the

different forms of goods, but between goods of the varying intermediate and final forms. Shall we have more ploughs and threshing machines or more rubber-making machinery, more wheat or more automobiles? A statement more in harmony with Hobson's general pragmatic view would be this: spend on consumables all that is needed for health, strength, skill, and spiritual outlook — the qualities that beget efficiency; beyond this, save and invest as much as possible, apportioning such surplus wisely among productive uses. Do this all to the end that there may be more and more goods to devote to efficiency promotion.

But despite inconsistencies, there is a vastly significant truth in Hobson's general view. The idea of surplus is not, so clearly as should be, that of mere excess of goods over subsistence needs. The argument errs too, doubtless, in injecting ethical considerations that warp the view of economic tendencies. To call "unearned" any income resulting from monopoly power — viewed by him as a perfectly normal phenomenon — is to beg a very important question that at least does not lie without the field of economics. Besides, how income is used is much more important than how it is earned. But in any case, this truth remains: there is a growing surplus of goods above the subsistence needs of the moment. The surplus increases at a rate beyond that required for maintenance and healthful growth of social-productive capital. The big problem is that of diverting relatively ill-used surplus to the work of bettering living and working conditions. The cumulative results of such a policy will be reflected in enlarging comfort, increasing efficiency, and ever-growing surplus. To view the situation thus throws new light on problems of taxation and state function, of labor unionism, of private benevolence, and of related and subsidiary questions. Hobson's book must be accorded large credit for giving new impetus to this widening view, as well as for applying the increasingly popular pragmatic test to current economic theorizing.

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